

Honorable Jim McDermott
Remarks for Morning Presentation to NGOs
January 14, 2003

Good morning. I want to thank the many people and organizations who have made today's event possible. In particular, I want to thank Greg Simpkins, at the Foundation for Democracy in Africa, Ray Almeida, at Bread for the World, and Mel Foote at Constituency for Africa. I cannot tell you how pleased I am not only to see the African Growth and Opportunity Act come to fruition, but also to feel the excitement and energy resonating among entrepreneurs throughout sub-Saharan Africa.

The well being of Africa's people has been a deep-seated concern of mine for a very long time. I first traveled to Africa as a young man, and later returned as a United States Foreign Service medical officer, based in Congo. In 1988, I left Congo, and was elected to the United States Congress. Every time I visit this great continent, I see the enormous potential it has yet to unleash.

During my first visit to Africa, it became very clear to me that the traditional patron-client relationship that the U.S. had with Africa, which consisted largely of cash assistance and onerous loans, was a fruitless policy on its own. Africans are perhaps the most resourceful people in the world, and have the ability to overcome myriad challenges. I knew that if the U.S. gave countries in Africa the same opportunities it gave to developed countries, benefits would be more long lasting, and other developed nations were likely to join us.

It was when Congress was considering agreeing to the Uruguay round of the GATT, which created the World Trade Organization, that I began to earnestly think about U.S. trade policy toward Africa. I asked myself: "What does this agreement do for Africa?" When I realized that the answer was "nothing," I set out to ensure that the legislation the Congress passes would require President Clinton to develop a comprehensive trade and development policy for African countries. So, AGOA got started by the insertion of one sentence into the legislation. It read: "The President should develop and implement a comprehensive trade and development policy for the countries of Africa." Unfortunately, the proposal the Clinton Administration created was not as focused on removing protectionist tariffs and quotas as I had hoped.

So I started working with various African economic ministers, including Mauritius' Ambassador to the U.S., Chitmansing Jesseramsing, to write my own bill which would, for the very first time, establish a vibrant trade policy with Africa. In 1996 Representatives Crane and Rangel joined the effort and we worked together to get that bill through the Congress. Nearly three years ago, President Clinton signed the bill into law. Last year, President Yoweri Museveni of Uganda recently declared AGOA "the most important development between Africa and the North in the last 400 years."

As many of you know, AGOA primarily opened the American market to African exports by removing protectionist tariffs. To receive AGOA benefits, countries must be democratic and must be moving forward in areas ranging from protecting intellectual property to providing due process of laws and minimum labor standards. As a result, countries are making changes. They are taking meaningful steps to protect their citizens and enhance the quality of life within their borders. The bottom line is that AGOA is contributing to profound economic and political reforms throughout the region. For example, anti-corruption activities have been launched in many of the nations of sub-Saharan Africa. In just the past year or so, 21 AGOA-beneficiary countries have ratified ILO Convention 182, which eliminates the worst forms of child labor. And nine countries have strengthened laws on child trafficking and worker rights.

Last spring, the United States Trade Representative reported, "In just two years, AGOA has already generated increased trade, cooperation, and investment flows between the United States and sub-Saharan Africa."

By 2002, the benefits of AGOA were even more evident. U.S. imports worldwide had decreased from the previous year by 1.2%, but U.S. imports from AGOA beneficiaries increased by 9.7%.

AGOA also has been good for African textile and apparel exports. Lesotho, for instance, has witnessed a more than seven-fold increase in textile and apparel exports since 2001. AGOA has been a boon for job creation. Because of AGOA, more than 50,000 jobs were created in Kenya. In South Africa, according to U.S. Agency for International Development, nearly 90,000 jobs are supported by AGOA. Even a small ice cream business in South Africa has hired more employees because the firm is now exporting its ice cream to the U.S. In my view, AGOA has been a striking success.

A recent World Bank report took a critical look at textile and apparel exports from AGOA nations. According to the report, AGOA has spawned an 8-11 percent increase in non-oil exports to the U.S. That number would have been five times greater if no restrictive conditions had been imposed on the terms of market access – the most important of these conditions are the rules of origin with which African exporters of clothing must comply to benefit from duty-free access. The rules of origin restrictions are too onerous and should be modified. Furthermore, the benefits under AGOA that most help the least developed AGOA nations expire in 2004. This comes at exactly the same time that worldwide quotas on textiles are terminated because of the Multi-fiber Arrangement. This is going to force the budding but fragile textile sector of AGOA nations to compete with mature and dominating textile powerhouses in Indonesia, China, and elsewhere. The least developed nation benefits of AGOA should be extended well beyond 2004.

One thing we need to think about, however, is diversification. We need to make sure that African nations have an array of goods for export. At present, exports under AGOA are predominately energy-related products. This sector accounts for about 75% of AGOA exports. For AGOA to be as successful as we have envisioned, and for Africa's potential

to be fully realized, SSA nations must continue to diversify their economies, and rely less on petroleum and energy exports and, in the short term, rely more on textile, apparel, manufacturing, and agriculture exports. I believe that the U.S. should nurture such a transformation because I believe that as Africa flourishes, so does America.

In the United States and other developed countries, small and medium sized businesses are major engines of the economy. So far, the primary exporters under AGOA are large multi-national corporations. That is not to say that small and medium sized business are not benefiting from AGOA, but they can benefit even more. The United States must continue to help provide linkages between small business owners in the U.S. and those in Africa. We also need to encourage new capital investment in AGOA nations, in part to increase production capacity so that small African firms can export their products.

Another area we need to focus on is agriculture. Africa has an untapped potential in its growing agriculture sector. If Africans can get their agricultural goods to market, including foreign markets, an immense economic transformation can begin. Unfortunately, the United States and the Europeans are making this endeavor very difficult because of the extravagant subsidies we give to our farmers. So I am here, in part, to urge African economic ministers to continue to pressure the Americans and the Europeans to address and curtail these reckless subsidies. There are other things that can be done as well. As all of you know, the United States has very strict sanitary and phytosanitary requirements. It often takes several years for Africans' products to be approved for import into the U.S. I believe that the United States should dramatically increase the amount, and the quality, of technical assistance to Africans trying so desperately to get their agriculture products into the United States.

Many Africans have difficulty getting their goods to market because of a poor transportation infrastructure. This situation also makes it difficult to get American products into African markets. It would be mutually beneficial if we could find ways to improve transportation infrastructure in AGOA nations, and encourage direct air and sea transportation between Africa and the United States. Many opponents of infrastructure assistance to developing countries have used Africa as an example of how inefficiently such funds often are spent. Yes, we all know corrupt governments and corporations have wasted billions of precious dollars. But what we do not all know is how many of those dollars were part of U.S. Cold War strategies to support anti-communist dictators and their armies.

Friends: Freer trade flow with the United States is not a panacea for sub-Saharan Africa. A sound trade policy cannot be successful without a sound development policy. And these policies simply will not be successful independently; they are interconnected. As the most affluent nation on earth, the United States and its government must play a substantial role both in African development and in African trade. A couple of years ago, the U.S. government foolishly enacted a massive tax cut that has severely strained our federal budget. President Bush and his political party may believe that that is a reason to be stingy when it comes to the developing world, and to Africa specifically, but I want you to know that I am joined by hundreds of members of Congress who know that our

fiscal situation cannot be an excuse to avoid recommitting ourselves to reducing poverty, disease, and famine throughout Africa and the rest of the developing world.

There are some in my country who think the answer to every problem can be found in private enterprise. But the United States cannot rely solely on the private sector to help support Africa's endeavor to develop.

Private companies may invest in new manufacturing plants or mineral extracting facilities, but they usually do not drill wells for clean water in remote villages, or build schools to educate young Africans.

Do you know of many venture capitalists who buy malaria or tuberculosis drugs for the world's poor to enhance their trade opportunities?

American firms may go to Congo and espouse the virtue of protecting property rights, but I'm not so sure they are championing the value of human rights.

Have you heard of many American entrepreneurs educating villagers about the dangers of HIV/AIDS and unprotected sex?

Let's talk about AIDS for a minute. AIDS is no longer just a health crisis. AIDS is economic catastrophe. AIDS contributes to famine, because so many farmers have fallen ill, there are too few people to grow or harvest crops. AIDS destroys families and the social structure of society. AIDS kills teachers and health workers. Students drop out of school, to work or because they are orphaned. A whole generation is growing up under these conditions.

In the 1990s, AIDS reduced Africa's per capita annual growth by nearly 1 percent, and, in the most heavily affected countries, 2 percentage points will be sliced off per capita growth in coming years. This means that after two decades, many economies will be about 20-40 per cent smaller than they would have been without AIDS. That is an enormous decline. And it does not begin to measure the profound human suffering of the AIDS epidemic.

Many years ago, I had lunch with Kenneth Kaunda, the president of Zambia. He told me he did not know what he would do if he had 500,000 orphans on the streets. Well, today Lusaka has that plus many more. In all of Africa, there are more than 13 million children have been orphaned by AIDS, and the parents of millions are ill and dying. How do social services cope with this? How do law and order survive with these numbers of children? How does a generation of children grow up without guidance?

I want to say a little bit about the role of the United States in addressing the global AIDS crisis. I believe the United States, as a world leader, must be in the forefront of the fight against HIV and AIDS. It is often pointed out that we are the largest donor to global health efforts in terms of dollars, but we are far from a leader in terms of real commitment. We have the resources to do more, and we know that the world needs our

help. The fact is we have a moral duty to do much more and we cannot forget malaria and tuberculosis. Malaria kills one to two million people annually in Africa, and death from tuberculosis is just as common.

When AGOA was conceived, my hope was that it would demonstrate that Africans could compete and succeed in the world marketplace. They did so for thousands of years before European colonialism. With the early success of AGOA, and the enthusiasm I feel at this Forum, I am optimistic that my hopes will come true.

In conclusion, you will continue to hear about the astonishing achievements that freer trade has brought to sub-Saharan Africa. Indeed, AGOA has encouraged transparency in governments and in the markets. AGOA has created jobs and raised living standards. In many regions, a vibrant sense of optimism has taken hold. I did not come here today with a dubious outlook, but I remember a time not long ago when many of us brimmed with similar optimism as independence seized the continent. That naïve cheerfulness was followed by military coups, apartheid, and genocide. Africa still has a long way to go and she needs generous help from the developed world, especially the United States.

Direct foreign investment in sub-Saharan Africa may have nearly doubled last year but increased trade and investment alone cannot bring a nation out of poverty and strife. The most imperative investments do not seek to acquire silver, gold, or petroleum. The most fruitful investments are in people. Only a free and healthy society can lead a nation and a continent to prosperity. I hope the United States will play a central role in ensuring that Africa's potential, which resides in its people, is fully unleashed.

Thank you.